

Message Text

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21

ORIGIN EB-07

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DRAFTED BY EB/CSB/BP:WBLOCKWOOD:VJW

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EA/K - PMAYHEW

JUSTICE - DROSENTHAL/SKILDRIFF

L/EB - TTALLERICO

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FM SECSTATE WASHDC

TO AMEMBASSY SEOUL

UNCLAS STATE 169116

E.O. 11652: N/A

TAGS: ETRD, KS, US

SUBJECT: ANTITRUST: KOREAN HAIR GOODS ASSOCIATION OF
AMERICA (KWA)

REF: STATE 140655, JUNE 28, 1974

1. SINCE EARLY 1974 THE DEPT OF JUSTICE HAS CONDUCTED A
GRAND JURY INVESTIGATION INTO POSSIBLE VIOLATIONS OF
ARTICLE I OF THE SHERMAN ACT INVOLVING ALLEGED CONCERTED
REFUSALS TO DEAL BY CERTAIN PERSONS ENGAGED IN U.S. INTER-
STATE AND FOREIGN COMMERCE IN HAIR GOODS. INVOLVED
IN THE INVESTIGATION WERE THE KOREAN HAIR GOODS ASSOCIA-
TION OF AMERICA (KWA), A GROUP OF IMPORTERS AND WHOLESALERS
IN THE U.S. WHO ARE PRIMARILY KOREAN NATIONALS, AND THE
KOREAN HAIR GOODS EXPORT ASSOCIATION (KEA), A GROUP OF
MANUFACTURERS LOCATED IN KOREA. THE EMBASSY WAS HELPFUL
IN PROVIDING INFO ON THIS CASE LAST YEAR (SEE REFTEL AND
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PREVIOUS).

2. ON JUNE 24 A FEDERAL GRAND JURY IN NEW YORK FILED A CRIMINAL INDICTMENT CHARGING THE KWA WITH VIOLATION OF THE SHERMAN ACT, AND A COMPANION CIVIL COMPLAINT SEEKING THAT ALLEGED ANTI-COMPETITIVE ACTIVITIES BE ENJOINED. NAMED AS UNINDICTED CO-CONSPIRATORS WERE MEMBERS OF KWA

AND THE KEA AND ITS MEMBERS. THUS, THE ONLY INDICTED PARTY IS THE AMERICAN ASSOCIATION. THE INDICTMENT AND CIVIL COMPLAINT CHARGE THAT MEMBERS OF THE KWA CONSPIRED TO REGULATE WHOLESALE PRICES AND CONDITIONS OF RESALE OF IMPORTED WIGS, AND CONSPIRACY TO PREVENT CERTAIN WIG IMPORTERS AND DISTRIBUTORS FROM OBTAINING WIGS FOR RESALE. AS A RESULT IT IS ALLEGED THAT DOMESTIC AND INTERNATIONAL PRICES OF WIGS HAVE BEEN FIXED AT ARTIFICIAL AND NON-COMPETITIVE LEVELS, THAT IMPORTERS AND DISTRIBUTORS HAVE BEEN EXCLUDED FROM THE INDUSTRY AND THAT COMPETITION HAS BEEN RESTRAINED. COPIES OF PRESS RELEASE, INDICTMENT AND COMPLAINT ARE BEING POUCHED TO THE EMBASSY.

3. KOREANS EVIDENTLY ATTACH CONSIDERABLE SIGNIFICANCE TO THIS CASE. ON JULY 14 KOREAN EMBASSY ECONOMIC MINISTER YANG AND COUNSELOR OF EMBASSY CHANG CALLED ON ASSISTANT ATTORNEY GENERAL KAUPER TO SEEK THE LATTER'S ADVICE ON HOW BEST TO RESOLVE THE MATTER QUICKLY AND FAVORABLY. YANG SAID HIS BASIC INTEREST WAS TWOFOLD: TO LOOK AFTER THE INTERESTS OF KOREAN NATIONALS (IN THIS CASE SMALL AND FINANCIALLY WEAK BUSINESSMEN, HE SAID), AND TO PROMOTE KOREAN EXPORTS. KWA, WITH POSSIBLE EMBASSY ASSISTANCE, HIRED PRESTIGIOUS COUNSEL IN ROGERS AND WELLS (FORMER SECRETARY'S FIRM IN NEW YORK). KAUPER WARNED THAT HE DID NOT WISH TO PREJUDGE OUTCOME OR INFLUENCE DEFENDANTS (KWA) IN ANY WAY, BUT SUGGESTED THAT SPEEDY SETTLEMENT MIGHT BE ACHIEVED VIA CONSENT DECREE TO ENJOIN ANTI-COMPETITIVE ACTIVITY, AND GUILTY OR NO LO CONTENDERE PLEA ON CRIMINAL INDICTMENT TO AVOID TRIAL.

4. EMBASSY MAY, AT ITS DISCRETION, INFORM APPROPRIATE ROKG AUTHORITIES OF THESE DEVELOPMENTS AS MATTER OF COURTESY, AND TO SEEK OUT ANY REACTIONS. IN SO DOING, UNCLASSIFIED

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IT WOULD BE USEFUL TO POINT OUT THAT MAIN OBJECTIVE OF THIS CASE IS DISCONTINUANCE OF ANTI-COMPETITIVE ACTIVITIES. TO THE EXTENT, IF ANY, THAT ROKG IS INVOLVED IN OR INFLUENCES THE CONDUCT OF THE KEA, ITS ASSISTANCE IN THE ELIMINATION OR PREVENTION OF CONSPIRACIES OF THE TYPES MENTIONED IN THIS CASE WOULD BE CONSTRUCTIVE. ALTHOUGH KEA IS NOT RPT NOT A DEFENDANT IN THIS CASE, ITS PRICING AND MARKETING PRACTICES ARE INVOLVED. THESE

POINTS WERE MADE DURING KAUPER MEETING WITH YANG. KISSINGER

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